



SDBA Legislative Update

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2017 Session Winding Down

At this writing, the 2017 session is in its final day (except for veto day on March 27), and legislative activity in this final week has been focused on about 10 bills that were referred to conference committees. Each of those bills passed the Senate and House in different forms and as such, cannot be sent to the Governor's desk. So these bipartisan committees, composed of three members of the House and three members of the Senate, have been working toward reconciling those differences during the waning days of session. While none of the conference committee bills directly affect the banking industry, I track them to make sure they don't turn into something that would be cause for concern.

Update on HB1179

Ever since this money and mortgage licensing exemption bill limped out of the Senate Taxation Committee last Wednesday, our lobbyist team has been actively engaged on two different fronts:

- Raising industry concerns with members of the Senate about the House version of HB1179
- Communicating with the bill's prime sponsors (Rep. David Lust of Rapid City and Sen. Justin Cronin of Gettysburg) and stakeholders on both sides of the issue in search of middle ground.

I am pleased to report that a compromise was reached just before the Senate convened on Tuesday afternoon. That compromise as reflected in the Senate version of HB1179 includes the following provisions:

- Grants a licensing exemption to occasional business lenders that make up to five loans in a 12-month period under an absolute cap of \$4 million. The caps apply jointly to every lending entity in which a person has an equity interest.
- Requires all exempt lending entities to file an annual report with the SD Division of Banking. That report must contain the name and address of the lending entity along with the number and total amount of all loans originated, sold or serviced in the preceding year.

- Affirmatively requires all exempt entities to file and remit bank franchise tax due on the net earnings generated by their lending activities.

The compromise (Senate) version of HB1179 was approved on Wednesday by the Senate on a vote of 33-2 and subsequently approved by the House of Representatives on Thursday by a 45-16 vote.

During floor discussion on his motion to concur in the Senate changes to HB1179, Rep. Lust suggested that the Legislature should take another look at this measure during the 2018 session. Some concern or confusion exists among some members as to whether or not owner-financed sales of property via contract for deed are impacted in any way by the state's existing or newly modified money or mortgage lending statutes. At this writing, I am uncertain about other issues or areas of concern that some legislators may be carrying. But I intend to follow up with Rep. Lust and other interested parties during the 2017 interim in order to develop a better understanding of their concerns.

WRAPUP

Assuming that no issues of concern to South Dakota's banking industry arise between now and veto day on March 27, this is my final update for the 2017 session. I want to offer my thanks to SDBA member bankers who willingly stayed plugged in to our industry's issues during this session and a to give a huge shout out to every banker who made the effort to communicate concerns to legislators whenever I asked you to do so.

As always, please contact me if you have any questions or concerns.

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